



## ENROLLMENT AND FINANCIAL REVIEWS POLICY

Pursuant to the Ohio Department of Education’s sponsor evaluation criteria D.02 (Enrollment and Financial Reviews Policy), the Thomas B. Fordham Foundation (TBFF) will implement the following process for conducting enrollment and financial reviews of its sponsored schools.

### ENROLLMENT

Enrollment reviews are conducted by TBFF monthly. This is done primarily to compare projected full time equivalent (FTE) enrollment with actual FTE enrollment as well as to benchmark specific student body subgroups (such as special education and economic disadvantaged students). Because state financial support is tied to enrollment levels (dollars per pupil), enrollment reviews are crucial for highlighting the financial stability of the school through the consistency of enrollment (or lack thereof) as well as through accurate projections of enrollment going forward. Any issues affecting FTE funding, such as flags or documented challenges by a public school district, or any other concerns raised by the enrollment review are shared with the school treasurer by TBFF at the regularly-scheduled monthly treasurer-sponsor financial meeting. The meeting is followed by the sponsor forwarding a report of such meeting to the school governing body, within ten days of the meeting per Ohio statute.

Source data reviewed by sponsor:

- Community School Funding Report;
- Data Collector submissions in EMIS;
- ODDEX/SOES & SCR;
- Individual school’s attendance recordkeeping system (DASL, Infinite Campus, etc.); and
- School treasurer’s own reports (ADM counts).

Additional student enrollment validation is done by conducting an onsite sample of daily attendance and enrollment during bi-annual sponsor site visits (fall & spring).

### FINANCIAL MANAGEMENT

**Revenue.** Monthly budget-to-actuals reports from the treasurer are reviewed by TBFF, after submission by the school via Epicenter. Receipts reviewed include—but are not limited to—general operating revenue (including monthly state foundation payments), non-recurring revenues (including third-party funding from donors), and other revenue (including restricted CCIP federal title funds, any competitive grant funds, and any local tax revenues as applicable). For schools that report on an accrual basis instead of a cash basis, all sources of recognized income are looked at, including any support that may have been rendered by the school’s management company. YTD revenue variances to budget are also reviewed overall as are revenue-per-pupil figures.

**Expenditures.** Core operating expenditures and non-recurring expenditures are reviewed in the monthly budget-to-actuals reports, with particular attention paid to dollar per pupil expenditures and to instructional expenditures versus non-classroom expenditures. For schools that report on an accrual basis, all recognized expenses are reviewed, including any support rendered by the school’s

management company. TBFF also looks at some expenditure ratios—by function and object codes (USAS)—for a high-level risk assessment, and in comparison to certain financial metrics which are part of the school’s sponsorship contract. Payment of fees from management companies (if any) are reviewed, with particular attention to any exceeding twenty percent of gross annual revenues. YTD expenditure variances to budget are also reviewed overall.

**Cash flow, reserves and capital liquidity.** TBFF reviews book-to-bank reconciliation and conducts a monthly review of cash flow and cash reserves, which includes a ratio analysis that compares month-end cash balances to recorded expenditure levels.

**Net equity position/balance sheet.** Although cash is the primary asset class for many schools, some schools also own their own facilities and/or fixed assets. Note payables, particularly long-term note payables are reviewed, with added attention to the school’s debt administration status and debt-servicing costs.

**Annual Financial Audits.** TBFF is active in the review process of annual financial audits conducted by AOS or IPA auditors. TBFF attends post-audit meetings and communicates with auditors. TBFF also communicates with the school treasurer afterward regarding any audit findings, especially those that merit corrective action plans (CAP) or follow-up to any management letter items.

**Monthly sponsor financial and enrollment reports to school governing authority and treasurer (i.e., HB 10 reports).** As required by Ohio statute, TBFF compiles a report—with particular emphasis on any issues indicating financial instability or falling enrollment—and shares it with each school board and its treasurer within 10 days of the scheduled monthly meeting or treasurer call. Copies of all HB10 reports for each month are stored and organized in Epicenter.

Source data reviewed by sponsor:

- Treasurer’s budget-to-actuals report;
- FiscWeb reports (Revenue Account Summary or REVSUM reports, Financial Report by Funds or FINSUM reports, etc.);
- Check register report;
- Budget Account Summary or BUDSUM reports;
- Treasurer book-to-bank reconciliations;
- Monthly bank statements;
- Loan amortization schedules;
- Auditor of State (AOS) released audit reports;
- CCIP reports;
- IRS 990 filings;
- Community School Funding Reports (as stated above in the enrollment section);
- Inventory reports; and,
- Any loan/debt-instrument documents or amortization schedules.

Other review considerations that arise at specific times:

- Inventories reporting (fixed assets and buildings) via EIS or some other asset listing report;
- Year-end financial statement (Hinkle Report) filed by school treasurer;
- Period H reporting by school treasurer to ODE (Five-year Financial Forecast to ODE in May-ending and in October-ending, including a school annual budget with the October submission);
- Federal Expenditure Reports (FER or 9/30 reports) covering federal title funds;
- CCIP title application approval date with substantially approved dates, to encumbered expenses, rollover & annual waiver situations, and compliance with the 27-month rule to spend down

certain non-Title-1 awarded funds. For schools awarded PCSP sub-grants via ODE, monitoring is conducted for compliance with program guidelines and stated sponsor assurances; and

- Reallocation of federal title funds in early-calendar year (including those due to “substantial expansion”, as directed by ODE).

***Bi-annual financial report in sponsor site visit report.*** TBFF monitors several financial items and reports them on the fall and spring site visit reports. These reportable items are derived from several data sources, the school, and through TBFF’s monthly meetings and phone calls with the school treasurer. TBFF then shares the report from such monthly meetings with the school’s governing board and treasurer. The report is also maintained in Epicenter.

***Student enrollment validation.*** As noted above, student enrollment is validated during bi-annual sponsor site visits by conducting an onsite sample of daily attendance data. This validation is in addition to monthly enrollment reviews conducted by TBFF monthly. Because state financial support is tied to enrollment levels (dollars per pupil), enrollment reviews necessarily entail a financial review component—comparing projected full time equivalent (FTE) enrollment with actual FTE enrollment as well as to benchmark specific student body subgroups (such as special education and economic disadvantaged students). They are crucial for highlighting the financial stability of the school through the consistency of enrollment (or lack thereof) as well as through accurate projections of enrollment going forward.

***Capital liquidity and cash flow.*** These data are reviewed and reported as part of the bi-annual site visit. Cash balance (i.e., cash-in-bank) at the beginning of the month versus the cash balance at the end of the month is reviewed. TBFF also presents a ratio analysis—the months of cash covering typical monthly expenses—in giving insight as to how long that cash balance could last as the school operates in meeting its monthly expenses.

***Prior year(s) audited financials.*** Reported by TBFF to the school governing body, as part of the annual year-end sponsor feedback. Audited financials are also maintained in Epicenter by TBFF. TBFF is involved in the oversight of the school’s mandatory annual financial audit conducted by the Auditor of State (AOS) or a third-party auditing firm. AOS reviews all audit work and officially releases the audits to the public. TBFF collects certain data from these audit reports and compiles them for trend analysis, as context to the school’s financial performance in the current school year and to the Exhibit 4 financial metrics listed in the school-sponsorship agreement.

- Balance sheet data is reported encompassing assets, liabilities, and the resulting net assets for the school, in a previous year or years (depending on how many annual financial audits the school underwent). These are looked at in comparison to each of the last three separate audited years for the school.
- Revenue and expenses are reviewed and shown for each audited year to illustrate whether the school is operating with losses, at break-even, or with income. Non-operating revenues or expenses are also reviewed, in relation as to how they may affect overall school operations. Past enrollment levels are also reviewed and shown for the school.
- Other analyses, like per pupil funding and per pupil expenditures in a given audit year, are presented. This section shows what the debt to asset ratio has been, year after year, and whether it is improving or hindering the operations or growth of the school. This section also illustrates the amount of cash (in days of cash) that the school has held to cover operational expenses.

## **INTERVENTION**

When any of the foregoing review processes indicates financial instability, falling enrollment, or other issue of concern, TBFF makes a report to the board, and then makes proactive recommendations, while keeping in communication with the board.